

HEALTH CARE SPENDING ACCOUNT (HCSA)

The Health Care Spending Account allows employees to pay for non-covered health-related benefits on a pre-tax basis, reducing their federal and state income taxes. Expenses must be medically-related. Examples include physician office and prescription drug co-payments, medical deductibles and coinsurance, eyeglasses and contact lenses not covered by an employee's health or vision plan, orthodontia and dental benefits not covered by the employee's dental plan.

Employees can enroll in the HCSA program during open enrollment, as a new hire or with a change in status. The employee and the Payroll Coordinator must complete a HCSA Enrollment/Change Form. All forms and brochures are available on the GIC's web site. Employees can elect a pre-tax deduction of a minimum to a maximum amount as set by the GIC and noted on the HCSA Enrollment/Change Form. There is a monthly administrative pre-tax fee of \$4.50. **Note:** *Employees must carefully estimate contributions, as the Internal Revenue Service requires that any unused funds in the employee's account at plan year-end be forfeited.*

HCSA ELIGIBILITY

Active state employees who are eligible for health benefits with the GIC are eligible for HCSA. Enrollment in a GIC benefit plan is not required. Employees must work at least 18.75 hours per 37.5-hour work week or 20 hours per 40 hour work week to be eligible.

New employee coverage begins on the first day of the month following 60 calendar days from the first date of employment or two calendar months, whichever comes first. Claims incurred after the effective date are eligible for reimbursement. An employee can claim health care expenses under the HCSA plan for him/herself, a spouse and eligible tax dependents.

OPEN ENROLLMENT AND NEW HIRE

Enrollment in the Health Care Spending Account Program (HCSA) is on an annual basis from January to December. Open enrollment will take place in November and December of each year. To add coverage:

- 1) Instruct the employee to complete, sign and date the HCSA Enrollment/Change Form, including the direct deposit section.
- 2) Verify that the direct deposit information is complete and fill in the Open Enrollment or New Hire section and Payroll Coordinator Verification section of the form. Indicate your Department ID# (ABC/1000).
- 3) Ensure that a new hire has satisfied the waiting period (see eligibility section above).
- 4) Enter the HCSA deduction and HCSAF deduction in HR/CMS or the UMass payroll system. There is only one fee deduction for HCSA and DCAP (e.g. the fee is the same for DCAP only, HCSA only, or both plans.) You only need to enter the fee deduction one time.
- 5) Send a **copy** of the completed and signed HCSA Enrollment/Change Form to the DCAP/HCSA carrier. **Note:** Failure to send a copy of the form to the DCAP/HCSA carrier will result in an employee not receiving reimbursement for an eligible health care expense.
- 6) File the **original** HCSA Enrollment/Change Form in the employee's personnel file. **Do not send forms to the GIC.**

CHANGE IN STATUS

During the year employees may enroll in HCSA, change their contribution, or terminate their election if there is a change in status according to IRS guidelines listed below. If you are unsure whether an event qualifies as an IRS-qualified event, contact the DCAP/HCSA carrier:

- Change in legal marital status.
- Change in number of dependents.
- Change in employment status.
- Change in work schedule that changes eligibility for the program.
- Dependent satisfies or ceases to satisfy eligibility requirements.
- Change of residence or work-site.
- Judgment, decree or order pertaining to child or spouse.

- 1) Instruct the employee to complete, sign and date the HCSA Enrollment/Change Form, including the direct deposit section.
- 2) Verify that the direct deposit information is complete and fill in the Change in Status and Payroll Coordinator Verification section of the form. Indicate your Department ID# (ABC/1000).
- 3) Obtain from the employee a document verifying a change in status. Acceptable proof examples: marriage or birth certificate, or a letter from an employer stating that cover age has been terminated. See the reverse side of the HCSA Enrollment/Change Form for additional information.

- 4) Enter the HCSA and HCSAF deductions into HR/CMS or UMASS payroll system.
- 5) Send a **copy** of the completed and signed HCSA Enrollment and Change Form to the DCAP/HCSA carrier. **Note:** Failure to send a form to the DCAP/HCSA carrier will result in an employee not receiving reimbursement for an eligible health care expense.
- 6) File the **original** application in the employee's personnel file. **Do not send the forms to the GIC.**

TERMINATING STATE SERVICE

If an employee terminates from state service or goes on an unpaid leave of absence, he/she may be eligible for COBRA. An employee can continue to make post-tax contributions to their HCSA:

Instruct the employee to complete the HCSA COBRA Application (available on our web site) and return it directly to the DCAP/HCSA carrier.

Instruct the employee to contact the DCAP/HCSA carrier for the COBRA amount.

TERMINATION OF EMPLOYMENT/UNPAID LEAVE OF ABSENCE

Addendum for both the Dependent Care Assistance Program (DCAP) and the Health Care Spending Account Program (HCSA)

If an employee terminates state service or is on an unpaid leave of absence, the DCAP/HCSA carrier must be notified. Once the DCAP/HCSA carrier is notified of the termination/unpaid leave of absence date and last paycheck deduction, the employee will be terminated from the DCAP/HCSA plan. The payroll coordinator must inactivate the

DCAP/HCSA deductions in the HR/CMS and UMASS payroll system. If an employee returns to state service during the plan year, he/she can re-enroll in the DCAP and/or HCSA plan by completing the Change in Status section of the Enrollment/Change Form.

Note: If an employee re-enrolls, the maximum calendar year DCAP election is \$5,000. The maximum calendar year HCSA election is determined by the GIC and is on the HCSA Enrollment and Change Form.

To Process a termination of employment or unpaid leave of absence:

- 1) Complete the Health Care/Dependent Care Participant Termination/Unpaid Leave of Absence Form on behalf of the employee.
- 2) Sign and date the form.
- 3) Send a copy of the Health Care/Dependent Care Participant Termination/Unpaid Leave of Absence Form to the DCAP/HCSA carrier.
- 4) Inactivate the DCAP/HCSA/HCSF deduction in HR/CMS or the UMass payroll system.
- 5) File the **original** form in the employee's personnel file. **Do not send the form to the GIC.**